

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7569

Petition of Vermont Public Power Supply Authority     )  
for approval of long-term financing for the acquisition   )  
of membership units of Vermont Transco LLC for the     )  
benefit of Vermont Electric Cooperative, Inc.             )

Order entered: 12/18/2009

**I. INTRODUCTION**

On November 2, 2009, the Vermont Public Power Supply Authority ("VPPSA") filed a petition (the "Petition") with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108(a) for long-term debt financing of the purchase of membership units ("Transco Units" or "Units") in Vermont Transco LLC ("Transco") on behalf of Vermont Electric Cooperative, Inc. ("VEC") in the amount of \$6.5 million (the "Loan"). The Petition was supported by the prefiled testimony of Crystal Carrier, Controller for VPPSA, and by accompanying exhibits. In this Order I recommend approval of the Petition without hearing.

On December 9, 2009, the Vermont Department of Public Service ("DPS") submitted a letter to the Board stating that it believes that the Petition is consistent with the general good of the state, and recommending approval of the Petition without a hearing. As part of the same filing, the DPS also filed its Determination Under 30 V.S.A. § 202(f) to the Board recommending that the Board approve the Petition without hearing and finding that the issuance of long-term debt as set forth in the Petition is consistent with the *Vermont Electric Plan* pursuant to 30 V.S.A. § 202(f).

I have reviewed the Petition and the supporting documents. I conclude that approval of VPPSA's Petition pursuant to 30 V.S.A. § 108(a) is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the exhibits presented in this docket, and the DPS's letter of December 9, 2009, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 108.

## **II. FINDINGS**

1. VPPSA has thirteen members who are all Vermont distribution utilities.<sup>1</sup> Petition at 1.

2. On October 15, 2008, in Docket No. 7310, the Board authorized Transco to issue approximately \$93 million of additional Class A and Class B membership units to Vermont distribution utilities. Transco subsequently received Board approval on November 16, 2009, in Docket No. 7567, to issue additional Units in the amount of \$35 million to the distribution utilities. Petition at 1.

3. VEC intends to utilize an opportunity to have VPPSA acquire VEC's allocated share of this latest issuance of Transco equity for the benefit of VEC ratepayers as permitted by the Transco Operating Agreement and a written assignment agreement between VPPSA and VEC. Petition at 1.

4. VEC is not a member of VPPSA but is eligible to be a member under 30 V.S.A. Chapter 84. In discussions with VPPSA in 2008, VEC noted it was not likely it would purchase Transco equity on its own due to financial constraints. At that time, the VPPSA Board of Directors recognized this as an opportunity to assist a fellow public power system and at the same time realize additional revenue that would benefit the VPPSA members. Currier pf. at 4.

5. Under the terms of an Assignment Agreement dated August 31, 2009, between VPPSA and VEC, VEC assigns its rights to VPPSA to acquire and own Transco Units on behalf of VEC and to pay VEC a quarterly fee equal to the sum of the distributions received from Transco, less VPPSA's direct debt-servicing costs and an administrative fee. In the event that any quarterly distribution is not sufficient to pay VPPSA's debt service and administrative fee, the deficient amounts accumulate until paid in full before additional payments are made to VEC. VEC can purchase the Units in the future at a price to be negotiated at that time. Currier pf. at 4-5; exh. VPPSA-Currier-2.

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1. Barton Village, Inc. Electric Department; Village of Enosburg Falls Water & Light Department; Town of Hardwick Electric Department; Village of Hyde Park Electric Department; Village of Jacksonville Electric Company; Village of Johnson Water & Light Department; Village of Ludlow Electric Light Department; Village of Lyndonville Electric Department; Village of Morrisville Water & Light Department; Village of Northfield Electric Department; Village of Orleans Electric Department; Town of Readsboro Electric Light Department; and Swanton Village, Inc. Electric Department.

6. VPPSA has negotiated a term sheet for long-term financing with TD Bank in the amount of \$6.5 million. Under the terms of the proposed Loan, VPPSA has been provided with options of five, seven, or ten-year terms with interest payments due monthly based upon a variable rate equal to the One Month London Interbank Offered Rate ("LIBOR") plus 325 basis points. VPPSA anticipates that it will enter into an interest-rate swap to obtain an effective fixed rate as of the date of the closing. Principal payments will be due quarterly based on a 20-year amortization. Currier pf. at 5-6; exh VPPSA-Currier-3.

7. VEC's ratings agencies, S&P and Fitch Ratings, consider the transaction with VPPSA to be favorable because it lessens the amount of debt VEC will be taking onto its balance sheet. The ratings agencies recommended that VEC not take on a significant debt burden just to buy stock in Transco. Instead, it is beneficial for VEC to preserve its credit availability to fund its capital plan over the next ten years and also pursue favorable power-supply opportunities. Although VEC ratepayers may receive a greater benefit through outright ownership of the membership units, that ownership would have to be funded 100% with debt possibly resulting in a lower credit rating that would adversely affect VEC's negotiated credit limits with its power-supply partners. Under the agreement between VPPSA and VEC, VEC can negotiate for the transfer of the Transco shares at a later date which coincides with the time frame when VEC's capital improvements should be concluded. VPPSA letter dated June 19, 2009 at 1-2.

### **III. DISCUSSION & CONCLUSION**

Based upon the foregoing and the evidence in the record, I find that VPPSA's Petition as described above will be consistent with the general good of the State. I therefore recommend that the Board approve the Petition and authorize the requested long-term financing of the purchase of Transco membership units on behalf of VEC in the amount of \$6.5 million, according to the financing terms as described above.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

Dated at Montpelier, Vermont this 18th day of December, 2009.

s/ Jay. Dudley

Jay E. Dudley  
Hearing Officer

#### **IV. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are adopted.
2. The request for long-term financing to purchase membership units in Vermont Transco LLC ("Transco") on behalf of Vermont Electric Cooperative, Inc. ("VEC") in the amount of \$6.5 million, as set forth in Vermont Public Power Supply Authority's ("VPPSA") Petition in this docket, and as described in the Findings, is consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108(a), consent is hereby given to VPPSA to borrow from TD Bank an amount not to exceed \$6.5 million according to the terms and rate consistent with the Findings above.
4. This Order does not constitute approval of VPPSA's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the issuance of long-term debt contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Vermont Public Service Board ("Board"), from reviewing or challenging such expenditures or VPPSA's resulting capital structure.
5. VPPSA shall inform the Board and the DPS of any material change in the terms and conditions of the financing, if any, prior to closing.
6. VPPSA shall provide the Board and the DPS with a complete set of final loan closing documents within 10 days of the loan closing.

Dated at Montpelier, Vermont, this 18th day of December, 2009.

<u>s/ James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/ David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/ John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: DECEMBER 18, 2009

ATTEST: s/ Susan M. Hudson  
CLERK OF THE BOARD

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@psb.state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*